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DEPARTMENT PASS TO USTR AND OPIC (ERB)
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SUBJECT: STATUS OF REFORMS IN THE NIGERIAN HOUSING SECTOR

¶1. Summary. Key elements of the Land Use Act, which are major obstacles to housing reforms, will require a constitutional amendment to change. President Yar'Adua is eager to create an enabling environment for the housing sector. Key amendments proposed to housing-related legislation were not passed by the last parliament and will have to be re-introduced. While no cabinet-level appointments have been made yet, there are supporters of housing reform already in the Yar'Adua administration. A key contact, Tanimu Yakubu, an advocate for housing and the head of the Federal Mortgage Bank of Nigeria (FMBN) is a confidant of the president and might get a senior position in the new administration.
End summary.

Land Titling Reforms

¶2. Key elements of the Land Use Act of 1978 are included in Nigeria's constitution, covering title to all land in Nigeria. The Act vests all land in the government, and requires a state governor's approval before land transactions can be concluded, which has been a major obstacle to creating mortgages, hindering growth in the housing sector. Amending the Land Use Act/constitution would require a two-thirds majority in the National Assembly (House of Representatives and the Senate) and in each of the 36 state houses of assembly for approval. The new president recognizes the problems with the act, and has indicated he plans to seek amendments that would make land ownership much easier.

Status of Reform, Foreclosure, Securitization Bills

¶3. Proposed amendments to other housing-related legislation such as the Federal Mortgage Bank of Nigeria Act, Mortgage Institution Act, National Housing Fund Act, Land Use Act, Investment and Securities Act, Trustee Investment Act, Insurance Act, Nigeria Social Insurance Trust Fund Act, and the Federal Housing Authority Act were not passed before the new administration took office and will have to be re-introduced to both houses of the National Assembly. Foreclosure and securitization were to be covered by new bills that have not yet been introduced. The Honorable Osita Izunaso, a champion of legislative reforms for housing, was in the House during the last administration and is now in the Senate. Izunaso is likely to re-introduce the bills and gather support for them.

New Housing Policy Direction

¶4. A strong supporter of the bills, Tanimu Yakubu, Managing Director of the Federal Mortgage Bank of Nigeria (FMBN), is a close associate of President Yar'Adua, and is likely to elicit the president's

support. Yakubu took leave from the FMBN to assist the president during his election campaign and has remained with him since. The President has yet to appoint a new cabinet, however, Yakubu is likely to be appointed to a senior position. Based on Yakubu's past efforts, we expect him to champion housing reform and improve the mortgage situation.

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State Focus

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¶5. Land issues are handled mainly by the states. At the moment the states where there is a dire need for housing because of rapid urbanization are Lagos, Rivers (Port Harcourt) and Abuja. Rivers State which is in the Niger Delta is experiencing high levels of violence including regular kidnappings of expatriates. Official USG travel is prohibited to the state, except in exceptional circumstances.

¶6. Currently, because of the costs involved in titling, banks and borrowers often come up with "creative solutions" that sidestep the necessity of transferring title to the bank (at a cost of 15% or so of the property value) and transferring the title back to the owner once the mortgage has been paid. A practical solution for most transactions becomes problematic when borrowers are in default.

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